

## STATUS OF CLAIMS

Claims 1-29 are pending.

Claims 1, 5, 6, 14, 15, 19, 20, and 28 have been amended.

## **REMARKS**

### *Drawings*

The Examiner objected to the drawings and indicated that corrected drawing sheets were required to avoid abandonment of the application. Applicant's patent attorney and the Examiner discussed the matter of the objection by telephone on March 29, 2007 and there are no outstanding matters that need to be addressed at this time.

### *Specification Amendments*

The Applicant appreciates the Examiner's thoroughness in reviewing the application for informalities, typographical errors and ambiguities. The new Abstract responds to the need for reducing the number of words to fewer than 150.

### *Claim Amendments*

Support for claim 1 and claim 15 amendments is found in Fig 6, and paragraphs [0025], [0026], and [0028].

### **Claim rejections-35 USC §101**

The Examiner has rejected Claims 1-29 based on 35 USC §101 failing to fall within permissible patentable subject matter. Claims 1-29 have been amended to overcome the 35 USC §101 (the "Statute"), for failing to claim subject matter permissible under the Statute. Applicant traverses these rejections for at least the following reasons.

The Supreme Court and the Court of Appeals for the Federal Circuit have expressed the view that business methods are within the ambit of Statute provided as the Examiner correctly

point out are “useful, concrete and tangible” (See, *Diamond v. Diehr*, 450 U.S. 175 (1981), *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352 (1999)).

The Examiners first argument is that the claim is not sufficiently transformative. In the present invention amended Claim 1 and 15 are drawn to a computer process that essentially follows a computation or algorithm (see, Fig. 6 flow chart) to achieve an accounting of the value of equities and based upon the accounting provides an indication when an asset balance is within said known relation to a liability balance.

In *State Street* the court indicated that the data processing system for implementing a financial management structure at issue satisfied § 101 because it constituted a "practical application of a mathematical algorithm, ... (data representing discrete dollar amounts through a series of mathematical calculations to determine a final share price) . . . [by] producing 'a useful, concrete and tangible result.'" *Id.* at 1373, 47 U.S.P.Q.2D (BNA) at 1601.

The *State Street* Court held that “...the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation, because it produces ‘a useful, concrete, and tangible result’-a final share price momentarily fixed for recording and reporting purposes and even accepted and relied upon by regulatory authorities and in subsequent trades.”

As in the amended Claim 1, the outcome of divesting the current account in a computer process produces an asset value momentarily fixed for recording and reporting purposes, accepted, and relied upon by those carrying out regulatory requirements. The comparison is perfectly apt.

In response to the numerous instances in the mid-1990s of affirming cases involving computer processes (business methods included) the patent office promulgated guidelines for Examiners to better determine the scope of a claim where § 101 was at issue. (See, Interim Guidelines for Examination of Patent Applications for Patent Subject Matter Eligibility (“Guidelines”),

[http://www.uspto.gov/web/offices/pac/dapp/opla/preognotice/guidelines101\\_20051026.pdf](http://www.uspto.gov/web/offices/pac/dapp/opla/preognotice/guidelines101_20051026.pdf))

Regarding transformation, the Guidelines at pg. 20 state:

For eligibility analysis, physical transformation "is not an invariable requirement, but merely one example of how a mathematical algorithm [or law of nature] may bring about a useful application." AT&T, 172 F.3d at 1358-59, 50 USPQ2d at 1452. If the examiner determines that the claim does not entail the transformation of an article, then the examiner shall review the claim to determine if the claim provides a practical application that produces a useful, tangible and concrete result. In determining whether the claim is for a "practical application," the focus is not on whether the steps taken to achieve a particular result are useful, tangible and concrete, but rather that the final result achieved by the claimed invention is "useful, tangible and concrete."

The Applicant's invention disclosing a computation or algorithm (see, Fig. 6 flow chart) to achieve an accounting of the value of equities, based upon an accounting provides an indication when an asset balance is within said known relation to a liability balance provides a "practical application," where final result achieved by the claimed invention is "useful, tangible and concrete." For the foregoing reasons, the applicant respectfully requests that the Examiner remove the rejection based upon 35 USC §101.

The Examiner indicates that Claim 1 element relating to "divesting a portion" does not sufficiently detail how the result is achieved. That personal judgment may be involved nonetheless does not lead to ineligibility under §101.

c. (i) The Mental Step Test

If a claimed process is performed by a machine, it is immaterial whether some or all the steps could be carried out by the human mind. As stated in *Musgrave*, 431 F.2d at 893, 167 USPQ at 289-90: "[w]e cannot agree with the board that these claims (all the steps of which can be carried out by the disclosed apparatus) are directed to non-statutory processes merely because some or all [emphasis added] the steps therein can also be carried out in or with the aid of the human mind or because it may be necessary for one performing the processes to think." Therefore, USPTO personnel should no longer rely on the mental step test to determine whether a claimed invention is directed to statutory subject matter. If all the steps of a claimed process can be carried out in the human mind, examiners must determine whether the claimed process produces a useful, tangible, and concrete result, i.e., apply the practical application test set forth in *State Street*.

c. (ii) The Human Step Test

It is immaterial whether the process may be performed by some or all steps that are carried out by a human. Claims are not directed to non-statutory processes merely because some or all the steps therein can also be carried out in or with the aid of a human or because it may be necessary for one performing the processes to do some or all of the process steps. The inclusion in a patent of a process that may be performed by a person is not fatal to patentability. *Alco Standard Corp. v. Tennessee Valley Authority*, 808 F.2d 1490, 1496, 1 USPQ2d 1337, 1341 (Fed. Cir. 1987) (citing *Diehr*, 450 U.S. at 175); see e.g. *Smith & Nephew, Inc. v. Ethicon, Inc.*, 276 F.3d 1304, 61 USPQ2d 1065 (Fed. Cir. 2001) (method claim where all the steps are carried out by a human). Therefore, USPTO personnel should no longer rely on the human step test to determine whether a claimed invention is directed to statutory subject matter (Guidelines Annex III).

The portfolio manager may elect to sell selected stocks or equities in order to divest the portfolio of a portion of equities such that the asset/liability relation of the portfolio is returned to a compliant value. Clearly, a computer might be programmed to use criteria that the portfolio uses and the process may be automatic and is certainly within the scope of the invention contemplated. Without conceding that that no personal judgment enters into Claim 1 element relating to “divesting a portion” even if such were the case, ineligibility under the PTO’s Guidelines would not result. For the foregoing reasons, the applicant respectfully requests that the Examiner remove the rejection based upon 35 USC §101.

Regarding Claim 1 and Claim 15, the Examiner indicates that “identifying a liability balance” is indefinite. Applicant has amended Claim 1 and Claim 15 to link the assets of selected the investment vehicles among each of the fund categories and the received liability allocation associated with the investment vehicles as follows:

“...identifying a liability balance ~~associated with selected ones of said investment vehicles within each of said fund categories~~ comprising the step of: accumulating values of assets of selected ones of said investment vehicles among each of said fund categories and said received liability allocation associated with selected ones of said investment vehicles;”

The concern that the claim is not sufficiently clear to enable reasonable prediction of outcomes should be removed. Claims 2-14 and 16-29 depend from Claim 1 and Claim 15

respectively which are allowable base claims based upon the foregoing arguments regarding the 35 USC 101 rejections. Applicant respectfully submits that the examiner's rejection of the dependent claims can no longer be sustained. Applicant respectfully requests withdrawal of the rejection and allowance of each of the dependent claims based upon 35 USC § 101.

### **Claim rejections-35 USC §112**

Applicant traverses the rejection based upon the following reasons: The Examiner has rejected Claims 15-29 based on 35 USC § 112 for failing to meet the enablement criteria. Claims 15 as amended merely requires that the code permit divesting a most recently added portion of said selected ones of said investment vehicles from a current account when said asset balance exceeds a relation with regard to said liability balance until the value of the current account is within limits with regard to the known relation to said liability balance. One skilled in the art of programming a computer could devise a program to search for most recently added portion of said selected ones of said investment vehicles from a current account and when found if said asset balance exceeds a relation with regard to said liability balance, then to divest the equity until the balance is reestablished, thus enabling Claim 15.

The concern that Claim 15 is not sufficiently clear and, therefore, fails the enabling requirement under 35 USC 112, should be removed for the foregoing reasons. Claims 16-29 depend from Claim 15 which is an allowable base claim based upon the foregoing arguments regarding the 35 USC 112 rejections. Consequently, Applicant respectfully submits that the Examiner's rejection of the dependent claims can no longer be sustained. Applicant respectfully requests withdrawal of the rejection and allowance of each of the dependent claims based upon 35 USC § 112.

### ***35 USC §103(a) Rejections***

Examiner rejects Claims 1, 5-15, 19-29 under 35 U.S.C. 103(a) as being unpatentable over OCC Bulletin 2000-23. Applicant traverses the rejection based upon the following reasons:

The Examiner's rejection based upon Official Notice lacks specificity so as to inform the Applicant (1) how the reference teaches one to combine the OCC Bulletin and what serves as Official Notice to achieve the Applicant's invention and (2) whether all the claim limitations are present.

The Federal Circuit has repeatedly enunciated the requirement for specificity:

In Yamanouchi Pharmaceutical Co. v. Danbury Pharmacal, Inc., 231 F. 3d. 1339, 56 USPQ2d. 1641 (Fed. Cir. 2000), the court reflected on the importance of suggestion or motivation to combine references in an obviousness analysis by stating:

an examiner ... may often find every element of a claimed invention in the prior art. ***If identification of each claimed element of the prior art was sufficient to negate patentability, very few patents would ever issue.*** Furthermore rejecting patents solely by finding prior art corollaries for the claimed elements would permit an examiner ... to use the claimed invention itself as a blueprint for piecing together elements in the prior art to defeat the patentability of the claimed invention ... To counter this potential weakness in the obviousness construct, the suggestion to combine requirements stands as a critical safeguard against hindsight analysis and rote application of the legal test for obviousness. *Id.* at 1644, quoting *In re Rouffet*, 149 F.3d 1350, 1357-58, 47 USPQ 2d 1453, 1457 (Fed. Cir. 1998) (emphasis supplied).

A claimed invention is *prima facie* obvious when three basic criteria are met. First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine teachings. *See In re Jones*, 958 F.2d 347, 21 USPQ2d 1941 (Fed. Cir. 1992); *In re Fine*, 837 F.2d 1071, 5 USPQ2d 1596 (Fed. Cir. 1988). Second, there must be a reasonable expectation of success. *See In re Merck & Co., Inc.*, 800 F.2d 1091, 231 USPQ 375 (Fed. Cir. 1986). Third, the prior art reference or combined references must teach or suggest all the claim limitations. *See In re Royka*, 490 F. 2d 981, 180 USPQ 580 (CCPA 1974).

The Examiner takes Official Notice that the claim reads on something well known in the public domain. However this does not remove the requirement that the Applicant be provided with a modicum of evidence to support the Examiner's position. The burden is on the examiner to provide some suggestion of the desirability of doing what the applicant has done. Official

Notice unsupported by documentary evidence should only be taken by the examiner where the facts asserted to be well-known, or to be common knowledge in the art, are capable of instant and unquestionable demonstration as being well-known. See *In re Ahlert*, 424 F.2d 1088, 1091, 165 USPQ 418, 420 (CCPA 1970). To support the conclusion that the claimed invention is directed to obvious subject matter, either **the references must expressly or impliedly suggest the claimed invention or the examiner must present a convincing line of reasoning as to why the artisan would have found the claimed invention to have been obvious in light of the teachings of the references**. It is not clear from the OCC or Official Notice that “the teaching, motivation, or suggestion is implicit from the prior art as a whole (*In re Kotzab*, 217 F.3d 1365, 1370 (CAFC 2000)). Both, the suggestion to make the claimed combination and the reasonable expectation of success, must be founded in the prior art and not in applicant’s disclosure. They are not.

The Examiner compares the Applicant’s invention as embodied in Claim 1 with the OCC 2000-23 pg 13. However, it is rather impossible to discern what elements in the Applicant’s claim are disclosed by the OCC. Unless the Applicant is reasonably informed as to which elements of the OCC go with which elements of Applicant’s invention it may not be possible to answer the Examiner’s assertions.

To establish a *prima facie* case of obviousness, all of the recited claim limitations must be taught or suggested in the prior art. See, *MPEP 2143.03*; see also, *In re. Royka*, 490 F.2d 981, 180 USPQ 580 (CCPA 1974). In addition to the problem with the lack of specificity in the Official Notice, **Applicant contends that the OCC reference lacks at least one or more limitations of the Applicant’s Claim 1 or Claim 15**. However, given the uncertainty over Official Notice, the Applicant will strive to associate the OCC 2000-23 pg. 13 statements with its Claim 1 for purposes of showing the lack of limitations and to respond to the Office action.

The OCC 2000-23 pg. 13 states:

In addition to the general considerations discussed above, which are applicable to any separate account product, further analysis should be performed when purchasing a separate account product involving equity securities. At a minimum, national banks should:

1. Analyze the bank liability being hedged (e.g., deferred compensation) and the equity securities to be held as a hedge in the

separate account. Such an analysis usually documents the correlation between the liability and the equity securities, expected returns for the securities (including standard deviation of returns), and current and projected asset and liability balances.

2. Determine a target hedge effectiveness ratio and establish a method for measuring hedge effectiveness. Establish a process for altering the program if hedge effectiveness drops below acceptable levels. Consideration should be given to the potential costs of program changes.

3. Establish a process for analyzing and reporting the effect of the hedge on the bank's income statement and capital ratios. Such an analysis usually shows results both with and without the hedging transaction.

As indicated above, the advice provided to by the OCC does not amount to disclosing the Applicant's invention. Not one statement discloses a limitation of the Applicant's Claim 1 or Claim 15. The OCC merely indicates that one must establish a process. The Applicant's invention is drawn to a particular process to carry out the advice (See, Figs. 5, 6 and 7). Note the OCC's language does not disclose anything more than a series of statements as to what it might require to for a fund manager to maintain compliance with the regulation, but does not offer specific teachings as to how this process might be implemented and furthermore does not require a report be generated as part of the process.

The Examiner asserts that the above OCC recitation can be fairly read to mean: teaches hedging a liability created by a deferred payment; teaches analysis of: current asset balances; and teaches an analysis of projected asset balances; teaches an analysis of liability balances, which would include receiving the allocation of liabilities identifying the balances; teaches establishing a target hedge effectiveness ratio, which serves as a known relation between the balances. It infers measuring this relation and establishing a program to correct imbalance. It also infers an analysis reporting process which would provide an indication of when the balances were within the known relation. There is an admission by the Examiner that the OCC 2000-23 does not teach divesting a portion of the holdings as a corrective measure. Teaching under patent law requires a least an implication of teaching, suggestion, or motivation to combine the elements in the manner described and without reference to the hindsight provided by the Applicant.

Table 1 attempts to identify the Examiner's general statements with the elements in claim 1 to illustrate that the limitations of Claim 1 are not met by the references.



OCC -23 Bulletin	Examiner's Assertion that  Element found in OCC -23 Bulletin	Claim 1 Amended	Applicant's Comment
Analyze the bank liability being hedged (e.g., deferred compensation) and the equity securities to be held as a hedge in the separate account	teaches hedging a liability created by a deferred payment	method for conforming the value of elements of a portfolio account to known relation, said account receiving at least one deferred payment	The recognition that hedging a liability created by a deferred payment merely confirms that the preamble deals with the subject but this does not comprise the invention.
Such an analysis usually documents the correlation between the liability and the equity securities, expected returns for the securities ... and current  and projected asset and liability balances.	teaches analysis of current asset balances  teaches analysis projected asset balances	receiving <u>from said account</u> an allocation of liabilities associated with said at least one deferred payment allocated among at least one of said at least one investment vehicles	To perform the analysis would require receiving current and projected asset and liability balances.  However, nowhere does the OCC teach "liabilities associated with said at least one deferred payment" as <i>is a limitation</i> of the Applicant's claim.
Such an analysis usually documents the correlation between the liability and the equity securities, expected returns for the securities ... and current and projected asset and liability balances.	teaches analysis liability balances	identifying a liability balance <u>comprising the step of: accumulating values of assets of selected ones of said investment vehicles among each of said fund categories and said received liability allocation associated with selected ones of said investment vehicles;</u>	OCC may teach analysis liability balances, however the invention teaches the limitation of precisely how those balances are obtained:  <u>step of: accumulating values of assets of selected ones of said investment vehicles among each of said fund categories and said received liability allocation associated with selected ones of</u>

			<u>said investment vehicles;</u>
Not found in the OCC	It also teaches an analysis reporting process	providing an indication <u>when the value of elements of the portfolio account</u>	The OCC does not require (therefore does not have the limitation) a reporting process, but merely to maintain a conformance with a known relation
Establish a process for altering the program if hedge effectiveness drops below acceptable levels	teaches establishing a target hedge effectiveness ratio	<u>conform to said known relation</u>	The OCC merely states altering the program which arguendo can be read as conforming to a known relation.
Not found in the OCC	OCC 2000-23 does not teach divesting a portion of the holdings as a corrective measure  But Official Notice suffices	divesting a portion of said selected ones of said investment vehicles <u>from a current account</u> when said asset balance <u>exceeds</u> a known relation with regard to said liability balance	The OCC does not teach divesting.  Official Notice does not serve as a reasonable determination for a process that requires not only divesting but correcting the imbalance as indicated below

Not found in the OCC	It teaches measuring this relation  It teaches establishing a program	<u>until the value of the current account is within limits with regard to the known relation to said liability balance</u>	The OCC does not teach correcting the imbalance
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If a prior art reference teaches identity of function to that specified in the claim, then under *Donaldson* an examiner carries the initial burden of proof for showing that the prior art structure or step is the same as or equivalent to the structure, material, or acts described in the specification which have been identified as corresponding to the claimed means or step plus function. See MPEP 2182. Applicant requests the Examiner to identify the equivalent functions in the OCC that relate to Claim 1.

In addition to the conclusion that the prior art element is an equivalent, examiners should also demonstrate, where appropriate, why it would have been obvious to one of ordinary skill in the art at the time of the invention to substitute applicant's described structure, material, or acts for that described in the prior art reference. See *In re Brown*, 459 F.2d 531, 535, 173 USPQ 685, 688 (CCPA 1972).

The Applicant relies on the argument above to counter the Examiner's assertions regarding obviousness of Claim 15 and the rejection under 35 USC 103 (a) should be removed for the foregoing reasons. Claims 5-14 and 19-29 depend from Claims 1 and Claim 15, respectively, which are allowable base claims based upon the foregoing arguments regarding the 35 USC 103 (a) rejections. Consequently, Applicant respectfully submits that the examiner's rejection of the dependent claims can no longer be sustained. Applicant respectfully requests withdrawal of the rejection and allowance of each of the dependent claims based upon 35 USC 103 (a).

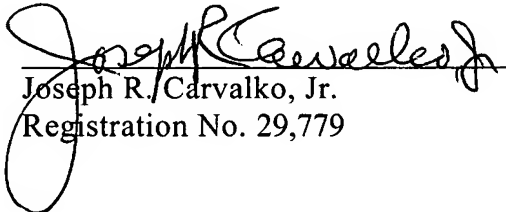
## CONCLUSION

Applicant believes he has addressed all outstanding grounds raised in the outstanding Office action, and respectfully submits the present case is in condition for allowance, early notification of which is earnestly solicited.

Should there be any questions or outstanding matters, the Examiner is cordially invited and requested to contact Applicant's undersigned attorney at his number listed below.

Respectfully submitted,

Dated: 4-18, 2007

  
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